

## Message Text

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ORIGIN ARA-10

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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

USCINCSO

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FOLLOWING REPEAT BUENOS AIRES 3868 ACTION SECSTATE MAY 24.

QUOTE LIMITED OFFICIAL USE BUENOS AIRES 3868

DEPT PLEASE PASS ALL ARA DIPLOMATIC POSTS

E.O. 11652: N/A

TAGS: ETRD, OAS, AR

SUBJECT: VII REGULAR SCCN MEETING

REF: BUENOS AIRES 3776

1. MOST NOTABLE RESULT OF MEETING OF SPECIAL COMMITTEE FOR CONSULTATION AND NEGOTIATION, WHICH ENDED IN BUENOS AIRES MAY 23, WAS ADOPTION OF A REPORT ON GSP. THE REPORT COMPRISES U.S. DELEGATION'S COMMENTS ON PROPOSALS BY THE LATIN AMERICAN GROUP FOR TAKING GREATER ADVANTAGE OF U.S. GSP, WHICH PROPOSALS U.S. DEL AGREED TO TRANSMIT TO ITS APPROPRIATE AUTHORITIES. REPORT WAS DEVELOPED IN THE CONTEXT OF CONTRIBUTING TO THE REVIEW OF GSP UNDERWAY WITHIN USG. DISCUSSIONS AND DOCUMENTATION ON GSP FOR THE MOST PART REFLECTED TECHNICAL, AS DISTINCT FROM RHETORICAL  
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CONSIDERATIONS, AND BENEFITED FROM THE QUALITY OF THE PARTICIPATION OF THE DELEGATIONS OF BRAZIL AND MEXICO IN PARTICULAR AND ALSO OF ARGENTINA AND COLOMBIA.

2. HIGHLIGHTS OF THE LATIN AMERICAN PROPOSALS ARE:

A. ELIGIBLE COUNTRIES: INCLUDE ECUADOR AND VENEZUELA.

U.S. DEL MERELY INDICATED DIFFICULTY OF PREDICTING  
FATE OF INITIATIVES NOW BEFORE CONGRESS.

B. ELIGIBLE PRODUCTS: U.S. SHOULD EXTEND COVERAGE  
OF PRODUCTS OF INTEREST TO LA EACH YEAR, ESPECIALLY  
OF HIGH TARIFF PRODUCTS; REVOKE EXCLUSION OF SENSITIVE  
PRODUCTS IN A THRUIGH F OF SECTION 503(C) OF TRADE  
ACT OF 1974; REPEAL AUTOMATIC WITHDRAWAL FROM GSP OF  
PRODUCTS SUBJECT TO ESCAPE CLAUSE ACTION WHEN  
DEVELOPING COUNTRIES ARE NOT THE MAIN SUPPLIERS OF  
U.S. MARKET; AND ESTABLISH NEW TARIFF SCHEDULE ITEMS  
ELIGIBLE FOR GSP FOR PRODUCTS OF INTEREST TO LATIN  
AMERICA WITH PARTICULAR ATTENTION TO HANDICRAFTS.  
USDEL NOTED THAT NO PRODUCTS ARE YET INELIGIBLE  
BECAUSE OF ESCAPE CLAUSE ACTIONS, AND AGREED TO CON-  
SIDER THE POSSIBILITY OF CREATING NEW TARIFF ITEMS  
TO EXPAND GSP COVERAGE.

C. COMPETITIVE NEED: ELIMINATE COMPETITIVE NEED  
LIMITATIONS, BUT IN THE MEANTIME THE COMPETITIVE NEED  
PROVISION OF THE TRADE ACT BE AMENDED TO REQUIRE  
THAT THREE CONDITIONS OBTAIN SIMULTANEOUSLY FOR  
COMPETITIVE NEED TO BE APPLIED: 1. EXPORTS EXCEED  
THE \$25 MILLION (ADJUSTED) LIMIT; 2. THE COUNTRY  
SUPPLY OVER 50 PERCENT OF U.S. IMPORTS OF THE  
PRODUCT IN ANY ONE OF THE FIVE PRECEDING YEARS, AND  
3. THE VALUE OF THE EXPORTS OF THE PRODUCT IN QUESTION  
NOT REPRESENT A HIGH PROPORTION OF THAT COUNTRY'S  
TOTAL EXPORTS TO THE U.S. UNDER GSP. COMPETITIVE NEED  
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SHOULD NEVER APPLY TO A SOLE SUPPLIER. NOR SHOULD  
PRODUCTS FROM REGIONAL INTEGRATION SCHEMES HAVE TO  
MEET MORE DIFFICULT CRITERIA. ( U.S. DEL RESPONDED  
INTER ALIA, BY EXPLAINING RATIONALE FOR COMPETITIVE  
NEED LIMITATIONS AND POINTING OUT THAT ITS OPERATION  
COULD BENEFIT A DEVELOPING COUNTRY TRYING TO PENETRATE  
A U.S. MARKET IN WHICH ANOTHER DEVELOPING COUNTRY WAS  
ALREADY COMPETITIVE.

D. RULES OF ORIGIN: CONCEPT OF "SUBSTANTIAL TRANSFORMA-  
TION" SHOULD BE DEFINED.

E. PETITIONS TO EXCLUDE PRODUCTS: LATIN AMERICAN DELE-  
GATES PROFESSED GREAT CONCERN OVER THE UNCERTAINTY  
CREATED BY POSSIBILITY OF REMOVING PRODUCTS FROM ELIGIBLE  
LIST, AND REQUESTED THAT EXCLUSION REVIEWS BE CONDUCTED  
ONLY ONCE A YEAR AND THAT EXPORTING COUNTRIES HAVE A  
CHANCE FOR PRIOR CONSULTATION. U.S. DEL SAID INTERESTED  
PARTIES COULD NOT BE DENIED RIGHT TO SEEK EXCLUSION

OF A PRODUCT, BUT AGREED THAT PRIOR CONSULTATION WOULD BE AVAILABLE.

F. INCLUSION OF NEW PRODUCTS: U.S. DEL SAID USG CONSIDERING POSSIBLE WAYS OF HANDLING REQUESTS FROM LA COUNTRIES AND WOULD PROBABLY REQUIRE EXPLANATORY INFORMATION FOR EACH PRODUCT REQUESTED.

G. DURATION OF GSP: IT SHOULD BE PERMANENT AS A GENERAL PRINCIPLE OF INTERNATIONAL ECONOMIC RELATIONS.

H. INFORMATION: LA GOVERNMENTS, USG, AND OAS SECRETARIAT SHOULD ALL EXPAND THEIR EFFORTS TO PUBLICIZE GSP POTENTIAL. US DEL AGREED WITH THRUST OF THIS POINT, AND IN PARTICULAR AGREED TO COOPERATE WITH SECRETARIAT.

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3. COLOMBIA AND MEXICO PROPOSED THAT FOR PURPOSES OF COMPUTING NATIONAL VALUE ADDED OF PRODUCTS TO BE EXPORTED TO U.S., INDIRECT ADMINISTRATIVE COSTS SHOULD BE INCLUDED AS WELL AS DIRECT COSTS; AND SECONDLY THAT THE VALUE OF U.S. ORIGIN COMPONENTS OF PRODUCTS EXPORTED TO THE U.S. UNDER GSP BE DISREGARDED WHEN CALCULATING THE VALUE OF THE PRODUCT FOR PURPOSES OF ORIGIN REQUIREMENTS. LA CAUCUS DECLINED TO INCLUDE THESE PROPOSALS IN LA POSITION, THOUGH CHILE MADE A POINT OF DECLARING ITS SUPPORT OF THE SECOND POINT. USDEL SAID IT WOULD WELCOME A WRITTEN ANALYSIS OF THE FIRST POINT. WITH REGARD TO THE SECOND POINT, WHICH RELATES TO TSUS ITEMS 806.30 AND 807.00 ON FOREIGN ASSEMBLY OPERATIONS, USDEL SAID THESE OPERATIONS REALLY DEPEND ON FACTORS OTHER THAN GSP.

4. RESOLUTION ON ECUADOR-VENEZUELA GSP EXCLUSION, ON WHICH U.S. ABSTAINED, IS STRAIGHTFORWARD. RESOLUTION ON PANAMA CANAL TOLLS, AN ECUADORIAN INITIATIVE SUPPORTED BY BOLIVIA, CHILE AND PERU, AND ON WHICH BOTH U.S. AND TRINIDAD AND TOBAGO ABSTAINED, SUBMITS QUESTION TO FORTHCOMING OAS GENERAL ASSEMBLY AND RECOMMENDS AGAINST ANY FURTHER INCREASES. TWO RESOLUTIONS ON MARITIME FREIGHT RATES AND ON AD HOC GROUP ON MARITIME TRANSPORT PROPOSED BY MEXICO AND ECUADOR ARE TROUBLESOME ONLY IN TERMS OF TRYING TO PROMOTE OVERLY AMBITIOUS PROGRAMS. USDEL WAS ABLE TO DEFUSE THESE PROPOSALS SLIGHTLY, AND

WAS JOINED BY BRAZIL IN ITS ABSTENTIONS. ONE OF  
FINAL ACTS WAS TO ACCEPT INVITATION FROM COSTA RICA  
TO HOLD NEXT REGULAR MEETING THERE.

5. COMMENT: SERIOUS AND TECHNICAL STANDARDS OF  
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DISCUSSION SET ON FIRST DAY OF MEETING PREVAILED FOR  
THE MOST PART THROUGHOUT. SEVERAL DELEGATIONS DRAWN  
FROM LOCAL EMBASSIES ACTED AS LITTLE MORE THAN  
OBSERVERS. THOSE WHO CAME FROM CAPITALS WERE PREPARED  
TO DISCUSS SOME OF THE FINER POINTS OF TRADE QUESTIONS,  
PARTICULARLY ON GSP. URUGUAY SUCCEEDED IN PRESSING  
ITS PREOCCUPATION WITH COUNTERVAILING DUTIES INTO  
BROADLY WORDED RESOLUTION SEEKING DEVELOPING  
COUNTRY EXEMPTION FROM ANY ACTIONS RESTRICTING  
TRADE (REFTEL). THE OTHER MAJOR ACCOMPLISHMENT IS  
THE REPORT ON GSP, INTERESTINGQP NOT IN THE FORM OF  
A RESOLUTION AND THUS MORE SUSCEPTIBLE OF GENERAL  
ACCEPTANCE WITHOUT BEING DOGMATIC POSITIONS. UKBS.  
DELEGATION FELT THAT DISCUSSIONS OF GSP AND RESUGMING  
REPORT CONSTITUTED GENUINE CONTRIBUTION TO UNDER-  
STANDING AND UTILIZATION OF GSP. GENERAL ATTITUDE  
OF OTHER DELEGATIONS, PARTCIULARLY THOSE WITH SOME  
TRADE EXPERTISE, BOTH IN MEETINGS AND INFORMALLY,  
WAS SIMILAR. THE MOOD OF THE CONFERENCE WAS ONE OF  
OBJECTIVE ANALYSIS OF MUTUALLY IMPORTANT SUBJECTS AND  
AT THE END OF HAVING ACCOMPLISHED SOMETHING QEEJIL.  
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## Message Attributes

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**Channel Indicators:** n/a  
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